



ADDRESS TO MEMBERS OF THE BLACK CONVEYANCERS ASSOCIATION ANNUAL GALA DINNER

An address by Mr Andile Sangqu, Executive Head of Anglo American South Africa and Vice President of the Chamber of Mines 4 November 2016

The issue of transformation has been at the front of the mining industry's mind for a great many years, particularly the issue of how to bring about meaningful and broadly based inclusivity.

The Chamber of Mines which is a mining industry employers' organisation that represents the collective interests of its members and provides strategic support and advisory input. The Chamber does not own any mines and is a not-for-profit entity. But our members form what has long been the industrial back-bone of our economy.

On that basis, let me start with the Chamber's transformation role.

Transformation

- The Chamber plays a critical role in engaging with government and other stakeholders, and in lobbying government on behalf of its members on all matters relating to transformation.
- The Chamber is committed to supporting the aims of the Mineral and Petroleum Resources Development Act and its associated Mining Charter.
- The Chamber was a key player in the development of the Charter, and has continued to play a critical role in negotiating revisions to targets on behalf of its members, to ensure that the targets set are realistic and can be implemented.

Mining industry and transformation

- The mining industry recognises that transformation is not only a regulatory requirement, but a business imperative that the industry is determined to fulfil.
- 2014 was a milestone for the industry as it marked not only the 20th anniversary of democracy but was also the delivery date for agreed Mining Charter targets. All members of the Chamber have demonstrated their commitment to meeting their Mining Charter obligations.

I could spend many hours talking about the various elements of transformation. But, we don't have that much time. Instead, let me explain how we at the Chamber see transformation and real empowerment as best being approached from three mutually supportive directions:

- Individual skills development
- Assistance in establishing sustainable businesses
- Broad approach bringing in role models who have made a success of BEE opportunities

These, I believe, are central to ensuring that transformation is broadly based and does not simply enrich a small handful of people.

Let me start with skills development. This covers the entire spectrum of employees, would-be employees and former employees. It ranges from training in manual and business skills through to training in life skills by individual mines – training that ensures people who leave the mines for whatever reason have portable skills that they can use to establish their own businesses in their chosen communities.

This is a development that can spread the benefits of transformation over far-wider ranges than simply on or near the mines.

But there is also the question of life skills - skills that are increasingly needed in our modern economy. Let me cite one example of helping develop people's life skills.

It became clear during the 2012 labour disputes that notwithstanding the fact that mining wages are in the top three deciles of earnings in South Africa, many employees had huge deductions every month as a result of court authorised employee emolument attachment orders or garnishee orders as they are commonly known. This is a phenomenon that we believe has been the trigger for a great deal of employee unhappiness. It was one of the factors that led to the type of wage demands that we saw in the surge of industrial action in 2012 and 2014 in the platinum sector, and arguably was one of the factors behind the Marikana tragedy which has required much introspection for South African miners, among others.

Over the last couple of years, the industry has done much work in this area working to eliminate illegitimate attachment orders and reducing high interest rates and other burdens employees have suffered.

The Chamber estimates that there has been a 60% reduction in emolument attachment orders due to the audit processes to determine whether they are valid or invalid. The savings in respect of these orders vary between companies. Many have saved in the millions and others in the hundreds of thousands, depending on the size of the operation and the extent of the problem. At Anglo American Platinum alone, the programme has managed to save employees just over R32.2 million on debt instalments per year. On average, employees for whom a debt relief solution has been devised are now paying 57% less every month towards servicing their debts.

At the other end of the spectrum there is the modernisation that is essential if our mining industry is to flourish, if we are to be able, for example, to produce minerals from ores that lie at ever-increasing depths.

Modernisation

Despite incremental technological progress within the framework of existing mining methods and systems, future prospects in gold and platinum will very much be determined by progress in mining modernisation, where new ways are found to extract the orebody using more efficient and safer methods.

A great deal of work is being done in this area. The industry is collaborating, not only between its own members but also with government, labour, top research institutions and original equipment manufacturers – in developing the industry of the future. This is critical to improving the productivity and cost competitiveness of the mining sector and will significantly increase the amount of the mineral resource endowment that is economically viable to mine. This would enable the sector to recover a much larger portion of the ore body in the national interest and find a comprehensive and inclusive solution that works for all stakeholders whilst meeting high safety standards.

We need to be very clear though about what we mean by modernisation. Modernisation is not synonymous with mechanisation or job losses. Modernisation is a process of transition and transformation of the mining industry of yesteryear and today to that of tomorrow. It also means recognising that people are at the heart of our industry; that it is our responsibility to conserve our natural resources, and preserve and restore our natural environment; it involves contributing to the development of local and labour-sending communities; and meeting the transformation and growth objectives of the mining industry and the nation

Work in a modernised mine will be carried out by a more highly skilled, better paid workforce and, will hopefully, also lead to the establishment of new production facilities in South Africa to provide the tools of modernised mining.

Mining companies - directly and through the Chamber - have consistently over many decades supported higher education infrastructure developments, provided bursaries and

scholarships, supported teaching and administrative costs, and sponsored many thousands of students at tertiary educational institutions across the country.

In 2015, the industry paid R1 billion to the skills levy and spent a further 5% of payroll on skills development. That represents a R5 billion investment in skills development and education projects, including financial support for more than 6,000 students at tertiary institutions. Over the past five years, Chamber members have supported around 12,500 students by providing full bursaries to study at various tertiary institutions. This is in addition to scholarships for the children of their own employees.

During the same time period, 5,500 students and graduates participated in mining industry workplace experiential learning programmes and were provided with learnerships and internships in workplaces. In total, 18,000 students have been supported over a five-year period, at a cost of more than R1.6 billion.

Then we come to helping establish transformed or empowered businesses. We have the role models of those who have already succeeded in the mining sector. Their advice and support would be invaluable as well as inspirational.

Transformation can also be expedited by mining companies purchasing wherever possible from local suppliers. It is the seed corn that helps create and build small and medium enterprises – acorns from which mighty oaks can grow. The same is possible as mining companies seek to encourage companies to develop and supply the high-tech products that we can produce in South Africa, including to supply the new technologies the modernised mines will use.

At this point, let me mention the honed approach towards enterprise development by my own company Anglo American. Our Zimele enterprise development arm has invested in small businesses for almost three decades, helping previously disadvantaged South Africans

develop businesses ranging from the basics of agriculture through to the sophistication of professional service firms.

The Mining Charter has been an invaluable mechanism to pave the way to a true transformation of the industry and has made a deep contribution to the ongoing deracialisation of SA's economy and society.

Since 2004, we have seen profound changes. By last year, 63%-72% of goods and services, depending on category, were procured from black economic empowerment (BEE) entities — mostly above charter targets.

Historically disadvantaged South Africans now occupy more than 40% of senior management positions and more than 50% in other management categories — including top management — all above the targets set in 2010. And they occupy 75% of core skilled jobs. This does not yet reflect SA's demographics (and there is the issue of women in mining too). But considering where we came from 20 years ago, progress has been remarkable.

We live in a world where the great bulk of mining shares are owned not by individuals or their companies, but by huge financial institutions including pension funds, local and foreign. These include the retirement and other savings of local people, black and white, and of others living all over the world. The vast bulk of shareholdings — probably more than 95%, particularly in respect of larger companies — are held by these institutions.

The only significant exceptions are the entrepreneurs, employees and community trusts that have been participants in BEE transactions. The fact that South African mining companies have succeeded in putting together more than R200 billion in empowerment schemes, which have at this point delivered R159 billion in value to recipients — entrepreneurs, employees and community trusts — says a great deal about the commitment and thought that has gone into initiating these transactions over the years. Their reach has been extensive.

Women's roles and participation in the new South Africa

A discussion about economic transformation would not be complete without mention of the role of women in the economy and, in particular, in our own sector of mining. Although the representation of women in the mining sector has improved tremendously since the laws preventing them from working underground were scrapped – we still have far more to do to ensure that yet more women feel that the mining sector is one in which they have a career and a future. In 2002, there were around 11,400 women working in the mining industry. By the end of 2015, that number had risen to around 53,000. However, while women now represent around 10% of people employed in mining, they are still not necessarily in mainstream mining activities or adequately in leadership positions.

While we actively recruit women to work in all areas of our operations, we would be failing in our duty of care towards our employees if we did not ensure they are coming into jobs where they are safe. This is an area that the Chamber of Mines has spent a lot of time investigating, and coming up with recommendations. Some of the initiatives implemented as a result of the Chamber-led task team include Buddy” systems, panic buttons, two-way radios, tracking systems, securing vulnerable areas on a mine, sealing off abandoned areas, self-defence training, regular visits by supervisors and an intimidation hotline.

NDP

The mining industry sees its development role as fully in line with the National Development Plan. We are conscious of the widespread perception of some, and the often stated rhetoric, that the industry is “untransformed”.

We know there is a long way to go. That cannot be surprising given the industry's century of development under, and in collusion with successive segregationist and apartheid regimes until 1994. It carries many burdens and legacies that need to be repaired as best as possible,

such as, for example, the migrant labour system, terrible occupational disease issues like silicosis and a need – as we hope we will succeed in doing soon – eliminating the vestiges of a discriminatory compensation system through the integration of the country's dual compensation system for occupational disease.

But, those with memories of mining life in SA before 1994 will remember an industry when management was pure white male, workers lived in appalling conditions in crowded hostel rooms, suppliers to the industry were foreign or local firms with similarly whites-only leadership, the system of men-only, migrant contract labour was enforced by law.

We recognise that there is impatience by some regarding the pace of transformation. In some cases these perceptions may be correct. Today's mining industry though is unrecognisable from what was the standard just over 20 years ago. We have not reached our transformation goals yet. But we are on the road there.